

El Salvador

Capital: San Salvador
Population: 6.5 million
GDP:* \$20 billion (2007 estimate)
Currency: US Dollar
Language: Spanish



Summary

El Salvador is net importer of all type of vehicles and of almost all the related parts and accessories for their performance/maintenance.

There are approximately 655,000 vehicles registered in the country. 49% of total registered vehicles are concentrated in the Department of San Salvador.

Since 2003 the sale of new vehicles in El Salvador has been steadily increasing. A total of 15,110 new vehicles were sold during 2005. In 2006, a total of 16,095 new vehicles were sold and in 2007 almost 18,000 new vehicles were sold. As a result of CAFTA-DR some U.S. origin vehicles received immediate tariff elimination, but most automobiles and light trucks are subject to back weighted 10 year tariff phase – outs (must of the tariff cut occurs in the last seven years).

Current Market Trends

Currently, 90% of used vehicles purchased in El Salvador are imported from the United States and are bought directly from salvaged car auctions to be repaired locally and then sold. These cars require continuous maintenance and replacement services. Mechanic and repair shops are frequently purchasing parts and accessories from local automobile parts importers, as well as automotive equipment usually imported directly for use in their shops. In comparison to previous years, the demand for used imported vehicles has decreased by 5%, since well established, reliable distributors with good reputations are now distributing new Chinese brands of economical vehicles (e.g, Chery, Great Wall, Jinbei, Zot Ye, Dongfeng, and JMC) and are offering competitive prices and credit lines.

El Salvador is steadily increasing its market demand for parts and accessories. New trends in the market require the use of parts and accessories. “Tuning” is now a term very well known and used by most Salvadorans; this esthetic and engine modification of vehicles has become a true passion for many vehicle owners. Other trends that result in an increase in the demand of parts and accessories include “drifting;” each time, more and more vehicle and motorcycle owners gather to show their new abilities. Also, races for the different types of vehicles are taking place and gaining popularity. The market has evolved to a new phase that not only requires that the vehicle transports, but also that the vehicle reflects the personality of the owner. Several local magazines provide constant updates on these trends. The annual local trade show called Auto Expo puts together all vehicle related sectors and auto fanatics and presents to the general public the new auto trends and fashions. U.S. companies exhibit at Auto Expo through their local authorized representatives.



Another reason why parts are an excellent business opportunity is that Salvadoran vehicles deteriorate faster and need more parts in order to maintain active use. This is due to poor maintenance of streets and roads, increasing traffic, disorganized public transportation, use of old vehicles, and importation of used vehicles.

Public transportation service buses/microbuses are old and require repair in order to continue providing the much-needed public transportation service. Most spare parts and accessories to keep the public transportation fleet working are imported.

According to the Vice Minister of Transportation, 80% of the Salvadoran population uses this public transportation service.

Market Entry

Importers, distributors, and end users are receptive to U.S. auto parts and accessories due to the products' quality and warranty, and geographic proximity. Nevertheless, the industry is extremely price oriented and this means there is strong competition in sales of parts and accessories from other countries like Taiwan and Brazil.

Main Competitors

67.9% of registered vehicles are Japanese and in second position by country of brand 12.24% of vehicles are Americans. Chevrolet and Ford are the most sold US brands.

Current Demand

There is no significant automotive parts and accessories production in the Salvadoran economy and thus, almost all parts are imported. The U.S. Central America Free Trade Agreement (CAFTA), implemented in El Salvador on March 1, 2006, provides a broader opportunity for the U.S. industry, since import tariffs for parts under SAC 8708 were automatically reduced to zero after CAFTA implementation. For Vehicle Accessories under SAC 8714, 57% of product categories already had 0% tariff and 14% of product categories became 0% after having a 5% tariff. The remaining product categories will be decreasing in tariff rates in the following 9 years. Also, American auto brands have been steadily increasing their units in the market over the past several years, and spares are needed. Salvadorans recognize the value of quality parts made in the U.S.

Considerations for potential opportunities:

- 1- Increased environmental awareness and concern to keep cars in better condition to avoid polluting. This will require purchase of additional parts and their necessary equipment and machinery for installation.
- 2- The law of Ethanol (bio-fuels) is estimated to be approved in 2008. With sufficient bioethanol, Flexi Fuel vehicles could be imported in El Salvador in the future.
- 3- High prices of gasoline and diesel make people also look for ways to make their engines more efficient. These types of products, if at competitive prices, have good opportunity in the market.

Available Market Research

Country Commercial Guide, Chapter 4: Leading Sectors for U.S. Export and Investment (2008)

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